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Hearing Date: October 19, 2011 at 10:00 a.m.

Counsel for the Debtor and Debtor in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re)	Chapter 11
)	
785 Partners LLC,)	Case No. 11-13702 (SMB)
)	
Debtor.)	
)	

**DEBTOR'S (i) OBJECTION TO MOTION OF FIRST MANHATTAN
DEVELOPMENTS REIT TO EXCUSE RECEIVER FROM REQUIREMENTS
IMPOSED BY SECTIONS 543(a) AND (b)(1) OF THE BANKRUPTCY CODE
AND (ii) REPLY TO OBJECTION OF FIRST MANHATTAN DEVELOPMENTS REIT
TO DEBTOR'S MOTION TO COMPEL RECEIVER TO COMPLY WITH SECTIONS
543(a) AND (b) OF THE BANKRUPTCY CODE AND GRANTING RELATED
RELIEF AND APPROVING PROPERTY MANAGEMENT AGREEMENT**

TO THE HONORABLE STUART M. BERNSTEIN,
UNITED STATES BANKRUPTCY JUDGE:

785 Partners LLC, the above-captioned debtor and debtor in possession (the "Debtor"), as and for its (i) objection to the motion of First Manhattan Developments REIT ("First Manhattan") to excuse the Receiver¹ from the requirements imposed by sections 543(a) and (b)(1) of the Bankruptcy Code and (ii) reply to First Manhattan's objection to the Debtor's motion to compel the Receiver to comply with sections 543(a) and (b) of the Bankruptcy Code

¹ Unless otherwise defined, capitalized terms used herein shall have the meaning ascribed to them in the Debtor's 543 Motion (as defined herein).

and granting related relief and approving the Property Management Agreement, respectfully states as follows:

Procedural Background

1. On August 9, 2011, First Manhattan filed a motion for an order pursuant to section 543(d)(2) of the Bankruptcy Code excusing the Receiver from the requirements imposed by sections 543(a) and (b)(1) of the Bankruptcy Code (the “First Manhattan 543 Motion”) [Docket No. 7].

2. On September 20, 2011, the Debtor filed a motion for entry of an order (i) compelling the Receiver to comply with sections 543(a) and (b) of the Bankruptcy Code and granting related relief and (ii) approving the Property Management Agreement (the “Debtor’s 543 Motion”) [Docket No. 42].

3. On October 11, 2011, First Manhattan filed an objection to the Debtor’s 543 Motion (the “First Manhattan Objection”) [Docket No. 54].

Objection to First Manhattan 543 Motion

4. The Debtor respectfully requests that this Court deem the Debtor’s 543 Motion, which is incorporated herein by reference, to constitute the Debtor’s objection to the First Manhattan 543 Motion.

Reply to First Manhattan Objection to Debtor’s 543 Motion

5. In the First Manhattan Objection, First Manhattan argues that the Debtor has not produced any concrete evidence for funding the Management and Carry Costs. However, on October 17, 2011, the Debtor filed the *Debtor's Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 60] (the “Plan”). The Plan, which attaches and incorporates the *Settlement and Plan Support Agreement* dated as of October 10, 2011 by and among the

Debtor, Time Square, 8 Avenue, Fuerta, the End Unit Purchasers, Tower, and the End Unit Purchaser Representative (each as defined in the Plan), contemplates that the funding of the Management and Carry Costs will be generated from the disposition of the BPA Down Payment Escrow² (as defined in the Plan), as set forth in Section 4.2 of the Plan, and the Lease-Up (as defined in the Plan), as set forth in Section 4.3 of the Plan.

WHEREFORE, the Debtor respectfully requests that the Court (i) enter an order denying the First Manhattan 543 Motion and granting the Debtor's 543 Motion, and (ii) grant the Debtor such other and further relief as may be equitable and just.

Dated: October 18, 2011

PROSKAUER ROSE LLP

/s/ Sheldon I. Hirshon

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² As of August 31, 2011, together with accrued interest, the BPA Down Payment Escrow totaled \$18,781,286.21.